



House of Representatives

General Assembly

File No. 298

February Session, 2000

Substitute House Bill No. 5183

House of Representatives, March 29, 2000

The Committee on Public Health reported through REP. EBERLE of the 15th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

An Act Concerning The Establishment Of The University Of Connecticut Health Center Review Committee And Funding For The University Of Connecticut Health Center.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (a) The Board of Trustees of The University of Connecticut
2 shall prepare quarterly reports, pursuant to subsection (b) of this
3 section, for The University of Connecticut Health Center.

4 (b) Each report shall contain the following information for the
5 previous quarter: (1) Financial results for the health center as a whole
6 and for its component parts, including an income statement, balance
7 sheet and cash flow statistics and a financial forecast comparing such
8 results to the budget; (2) restructuring, cost cutting and revenue
9 enhancement information, including a description of actions taken and
10 timetables, progress made, financial and other impact, and information
11 on measurement and accountability; and (3) operational results,
12 including performance for all units of the health center.

13 (c) The reports required under this section shall be submitted to The
14 University of Connecticut Health Center Review Committee in
15 accordance with the following schedule by: (1) August fifteenth for the
16 quarter ending June 30, 2000, (2) November fifteenth for the quarter
17 ending September 30, 2000, (3) February fifteenth for the quarter
18 ending December 31, 2000, and (4) May fifteenth for the quarter ending
19 March 30, 2001.

20 Sec. 2. (a) There is created The University of Connecticut Health
21 Center Review Committee. The review committee shall be composed
22 of the chairpersons and ranking members of the joint standing
23 committees of the General Assembly having cognizance of matters
24 relating to public health, education and appropriations and the
25 budgets of state agencies, or their designees from their respective
26 committees of cognizance.

27 (b) The speaker of the House of Representatives and the president
28 pro tempore of the Senate shall appoint two members of the review
29 committee to serve as chairpersons. The chairpersons may appoint ex-
30 officio members to the review committee. The review committee shall
31 hold its first meeting on or before August 1, 2000. The contract
32 required under section 3 of this act shall provide for such staff as is
33 necessary for the performance of the functions and duties of the review
34 committee.

35 (c) Notwithstanding any provision of the general statutes, the
36 authority of the review committee during its term shall include, but
37 not be limited to, the following: (1) To review financial and clinical
38 data of The University of Connecticut Health Center, including each of
39 its component parts; (2) to review and monitor the implementation of
40 all restructuring, cost efficiencies and revenue enhancement plans for
41 the health center; (3) to review operational results, including
42 performance for all units of the health center; (4) to evaluate the future
43 role of the John Dempsey Hospital, The University of Connecticut

44 schools of medicine and dental medicine, and the health center's
45 delivery of the correctional managed care program; (5) to review
46 student tuition and fee levels for The University of Connecticut schools
47 of medicine and dental medicine; (6) to review and monitor the health
48 center administrative, faculty, physician and professional salaries and
49 contracts; (7) to make recommendations concerning the establishment
50 of an endowment fund; (8) to review the performance audit to be
51 conducted pursuant to section 3 of this act; (9) to make
52 recommendations concerning quarterly and annual reporting
53 requirements for the health center, including each of its component
54 parts; (10) to suggest future ongoing reporting requirements for public
55 health and research initiatives conducted by the health center; (11) to
56 make recommendations concerning the establishment of a board of
57 trustees for the John Dempsey Hospital that would report to the Board
58 of Trustees of The University of Connecticut; and (12) to make
59 recommendations concerning whether public act 92-154 should be
60 amended.

61 (d) Not later than December 1, 2000, and July 1, 2001, the review
62 committee shall submit interim reports to the General Assembly and
63 the Governor, and not later than October 1, 2001, shall submit a final
64 report to the General Assembly and the Governor, in accordance with
65 the provisions of section 11-4a of the general statutes, concerning its
66 review of the operations of The University of Connecticut Health
67 Center. The review committee shall include in such reports (1) a
68 review of the findings and recommendations made in the performance
69 audit conducted pursuant to section 3 of this act, and (2) the fiscal
70 implications of any recommendation contained in such reports. The
71 review committee shall terminate upon the submission of the final
72 report required under this subsection.

73 (e) Nothing in this section shall be construed to alter the operating
74 responsibilities of the Board of Trustees of The University of
75 Connecticut under chapter 185b of the general statutes.

76 Sec. 3. (a) The Auditors of Public Accounts, in consultation with the
77 Department of Higher Education, shall issue a request for proposals
78 for an independent performance audit of The University of
79 Connecticut Health Center, including each of its component parts. The
80 Auditors of Public Accounts shall enter into a contract for a
81 performance audit that shall include, but not be limited to:

82 (1) A review of the quarterly reports submitted to The University of
83 Connecticut Health Center Review Committee pursuant to section 1 of
84 this act. Such review shall also include financial statements that have a
85 clear allocation of all health center income and expenses to each
86 operating function of the health center for the 2000 fiscal year of the
87 health center and a comparison with planned and actual results for the
88 2001 fiscal year of the health center;

89 (2) An examination of health center governance issues relating to
90 management responsibilities, avoidance of conflict of interests and
91 fiscal management practices, and a recommendation concerning the
92 establishment of a board of trustees for the John Dempsey Hospital
93 that would report to the Board of Trustees of The University of
94 Connecticut;

95 (3) Program audits that include a systematic assessment of the
96 health center's core competencies and their relationship to (A)
97 enhancing the quality of The University of Connecticut schools of
98 medicine and dental medicine, and (B) the health center's stated
99 objectives and the implementation of the strategic long-term plan
100 developed pursuant to section 5 of this act;

101 (4) Economy and efficiency audits concerning the use of health
102 center resources and recommendations for identifying more effective
103 means to allocate health center resources so as to achieve cost
104 efficiencies in the delivery of care;

105 (5) (A) An assessment of health center: Compliance with applicable

106 laws and regulations; management oversight; and faculty,
107 administrative and professional compensation policies, including a
108 comparison to other comparable entities; and (B) recommendations for
109 ways in which the health center can reduce costs, improve
110 management and make services more effective and efficient;

111 (6) The identification of methods to maximize federal and third
112 party funding;

113 (7) Information concerning the average daily census by specialty at
114 the John Dempsey Hospital and recommendations on how to increase
115 such average daily census;

116 (8) An audit of the appropriate assignment and use by the health
117 center of federal cost recovery funds and residency programs;

118 (9) A review of contractual obligations of the health center;

119 (10) Information and recommendations concerning economic
120 development potential associated with biomedical and biotechnology
121 research; and

122 (11) The identification of significant issues that warrant further
123 audit but are not directly related to the objectives of the performance
124 audit.

125 (b) The Board of Trustees of The University of Connecticut shall
126 submit a management response from responsible officials to the
127 auditor concerning each of the recommendations contained in the
128 performance audit conducted pursuant to subsection (a) of this section.

129 (c) Performance audit interim reports shall be submitted to The
130 University of Connecticut Health Center Review Committee in a
131 timely manner for use by the review committee in preparing the
132 reports required under subsection (d) of section 2 of this act.

133 (d) The performance audit conducted pursuant to subsection (a) of
134 this section shall be in addition to any financial or operational audit
135 required under any provision of the general statutes or any public or
136 special act.

137 Sec. 4. Not later than October 1, 2000, and quarterly thereafter
138 during the term of The University of Connecticut Health Center
139 Review Committee, the chief executive officer of The University of
140 Connecticut Health Center shall submit a report to The University of
141 Connecticut Health Center Review Committee concerning the planned
142 and actual use of funds appropriated to The University of Connecticut
143 Health Center pursuant to section 7 of this act.

144 Sec. 5. The Board of Trustees of The University of Connecticut shall
145 develop a strategic long-term plan for all units of The University of
146 Connecticut Health Center. The plan shall include educational,
147 research and clinical programs. The board of trustees shall submit such
148 plan, in accordance with section 11-4a of the general statutes, to the
149 joint standing committees of the General Assembly having cognizance
150 of matters relating to education, public health and appropriations and
151 the budgets of state agencies by August 15, 2000.

152 Sec. 6. The sum of five hundred thousand dollars appropriated to
153 the Office of Health Care Access for distressed hospital evaluation in
154 section 43 of special act 99-10 shall be transferred to the Auditors of
155 Public Accounts for the purpose of entering into a contract for the
156 performance audit of The University of Connecticut Health Center
157 pursuant to section 3 of this act. Such funds shall not lapse on June 30,
158 2000, and shall be available for expenditure for such purpose during
159 the fiscal year ending June 30, 2001.

160 Sec. 7. The sum of sixteen million nine hundred thousand dollars is
161 appropriated to The University of Connecticut Health Center, from the
162 General Fund, for the fiscal year ending June 30, 2000. Such funds shall
163 not lapse on June 30, 2000, and shall be available for expenditure by

164 The University of Connecticut Health Center during the fiscal year
165 ending June 30, 2001.

166 Sec. 8. The sum of three million one hundred thousand dollars is
167 appropriated to The University of Connecticut Health Center, from the
168 General Fund, for the fiscal year ending June 30, 2000, for the purpose
169 of The University of Connecticut Health Center research. Such funds
170 shall not lapse on June 30, 2000, and shall be available for expenditure
171 for such purpose during the fiscal year ending June 30, 2001.

172 Sec. 9. This act shall take effect from its passage.

PH Committee Vote: Yea 23 Nay 2 JFS

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Yes

Affected Agencies: University of Connecticut Health Center, Board of Trustees of the University of Connecticut, Legislative Management Auditors of Public Accounts, Office of Health Care Access

Municipal Impact: None

Explanation**State Impact:**

The bill (1) establishes a University of Connecticut Health Center Review Committee, (2) requires the Board of Trustees of the University of Connecticut to submit quarterly reports regarding the UConn Health Center, (3) directs the Auditors of Public Accounts to contract for an independent performance audit of the health center, and (4) appropriates \$20 million to the health center.

It is anticipated that costs involved in the establishment of the health center review committee and the submission of quarterly reports by UConn will be minimal and absorbable within agencies' normal budgetary resources.

Section 6 authorizes the transfer of \$500,000 from the Office of

Health Care Access' Distressed Hospital Evaluation account to the Auditors of Public Accounts. It is assumed that this transfer would be accomplished before June 30, 2000. The bill then authorizes the carry forward of these funds into FY 01 for the purposes of contracting for an audit of the UConn Health Center. This will not impact OFA's surplus estimate of February 8, 2000 since these funds were anticipated to be spent.

The sum of \$1 million was originally appropriated in FY 01 to the Distressed Hospital Evaluation account. Due to delays in finalizing selection of a contractor, approximately \$800,000 is anticipated to remain unexpended as of June 30, 2000. OHCA plans on entering into an agreement obligating the balance of these funds in the spring of 2000 and had anticipated requesting carry forward authorization to continue funding needed to support the costs of the contract into FY 01. Thus, passage of Section 6 would reduce the amount available for carry forward under the Distressed Hospital Evaluation account by \$500,000 and may adversely impact the ability of the agency to complete the hospital evaluation initiative.

The Senate version of the Revised FY 01 Appropriations Act does not authorize the carry forward of the unexpended balance of the Distressed Hospital Evaluation account, while the House version does.

Although the Governor's proposed budget places \$20 million in surplus funding in the Office of Policy and Management for the health center, the budget proposed by the Senate places the \$20 million in surplus directly in the health center's block grant. This bill also places \$20 million in the health center's block grant with \$3.1 million reserved for research purposes. The House of Representatives' budget places the funding in the Department of Higher Education.

Finally, it should be noted that this bill appropriates funds in FY 00, which along with the deficiency bill, will result in exceeding the spending cap. A deficiency appropriation of \$68.2 million is made in

substitute House Bill 5216 "An Act Making Deficiency Appropriations for June 30, 2000" for a variety of state agencies. The budget for FY 00 is currently \$68.6 million under the statutory budget cap. Passage of sHB 5216 will put the state budget under the spending limit by \$400,000. If this bill passes along with the deficiency bill, then total appropriations for FY 00 will exceed the cap by \$19.6 million. To exceed the statutory spending limitation, the legislature must receive a declaration of an emergency or extraordinary circumstances from the governor and the legislature must approve the additional spending by a three-fifths majority vote in each chamber.

BACKGROUND

Primarily as a result of changes in Medicare reimbursement, graduate medical education funding and the effect of managed care on provider reimbursement, the UConn Health Center announced that the agency would have deficiencies in FY 00 and FY 01. The health center indicated that the projected deficiency for FY 00 would be approximately \$21 million and this figure has remained constant for the last two months. It is estimated that a number of expenditure reduction and revenue enhancement measures currently being implemented at the health center, will reduce the deficiency to \$12.4 million in FY 00. In addition, there is a projected deficiency of \$4.5 million in FY 01. The \$16.9 million provided in the bill is intended to address these deficiencies with the balance of the \$20 million to be used for research initiatives.

These issues, which the health center is confronting, are indicative of what is being experienced by many hospitals across the nation. In the health center's case, where the hospital revenues have traditionally subsidized the academic programs, the magnitude of the dilemma is increased. At this time, it is unclear to what extent the hospital, the academic programs and the budget of the health center will continue to be affected by these health care issues.

OLR Bill Analysis

sHB 5183

AN ACT CONCERNING FUNDING FOR THE JOHN DEMPSEY HOSPITAL OF THE UNIVERSITY OF CONNECTICUT HEALTH CENTER.**SUMMARY:**

This bill establishes a University of Connecticut (UConn) Health Center Review Committee consisting of legislative members charged with reviewing, monitoring, and making recommendations on certain health center operations, structures, finances, and other activities. The committee must submit interim reports and a final report to the General Assembly and the governor by October 1, 2001.

The bill directs the Auditors of Public Accounts to contract for an independent performance audit of the health center. The audit must examine financial, governance, management, resource use, economic development, patient use, compensation, competency, reimbursement and other specified issues.

Under the bill, the UConn Board of Trustees must prepare quarterly reports on the health center addressing finances; restructuring, cost cutting, and revenue enhancement; and operational results. These reports must be provided to the health center review committee. The board must also develop a strategic long-term plan for all health center units.

Finally, the bill appropriates \$20 million to the health center and requires its chief executive officer to report to the review committee on the use of the funds.

If passed, this bill would be a special act.

EFFECTIVE DATE: Upon passage

UCONN HEALTH CENTER REVIEW COMMITTEE

The bill creates a 12-member UConn Health Center Review Committee, consisting of the chairpersons of the Public Health Education, and Appropriations committees or their designees from such committees. The Speaker of the House of Representatives and the Senate President pro tempore must appoint two committee members as chairpersons. The chairpersons may appoint ex-officio members to the committee, which must meet for the first time by August 1, 2000. The contract for the performance audit (see below) must provide necessary staff for the review committee to perform its duties.

The review committee has the authority to:

1. review financial and clinical data of the health center, including each component;
2. review and monitor the implementation of all restructuring, cost efficiencies, and revenue enhancement plans for the health center;
3. review operational results, including performance of all units;
4. evaluate the future role of John Dempsey Hospital, the schools of medicine and dental medicine, and the center's delivery of the correctional managed care program;
5. review tuition and fees for the schools;
6. review and monitor the health center's administrative, faculty, physician, and professional salaries and contracts;
7. make recommendations on establishing an endowment fund;
8. review the performance audit required under the bill;
9. make recommendations on quarterly and annual reporting for the center, including its components;
10. suggest future ongoing reporting requirements for public health and research initiatives;

11. make recommendations concerning establishing a board of trustees for the John Dempsey Hospital that would report to the board of trustees of UConn; and
12. make recommendations concerning whether a 1992 law (PA 92-154) giving the health center flexibility in its operations should be amended.

The bill requires the review committee to submit interim reports to the General Assembly and the governor by December 1, 2001 and July 1, 2001 and a final report by October 1, 2001 on its review of the health center's operations. The committee must include in the reports (1) a review of the findings and recommendations of the performance audit required under the bill and (2) the fiscal implications of any recommendations. The committee ends after the final report is filed.

The bill specifies that it should not be construed as altering the operating responsibilities of the UConn Board of Trustees.

UConn BOARD OF TRUSTEES

The bill directs the UConn Board of Trustees to report quarterly on the UConn Health Center. The reports must contain the following for the previous quarter (1) financial results for the health center as a whole and for its components, including an income statement, balance sheet and cash flow statistics, and a financial forecast comparing the results to the budget; (2) restructuring, cost cutting and revenue enhancement information, including actions taken and timetables, progress made financial and other impact, and measurement and accountability information; and (3) operational results, including performance for all health center units.

These reports must be given to the review committee as follows: (1) August 15, 2000 for the quarter ending June 30, 2000; (2) November 15, 2000 for the quarter ending September 30, 2000; (3) February 15, 2001 for the quarter ending December 31, 2000; and (4) May 15 for the quarter ending March 30, 2001.

The bill requires the UConn Board of Trustees to develop a strategic long-term plan for all units of the health center, which includes

educational, research and clinical programs. The board must submit the plan to the Public Health, Education, and Appropriations committees by August 15, 2000.

PERFORMANCE AUDIT

The bill requires the Auditors of Public Accounts in consultation with the Department of Higher Education, to issue a request for proposals for an independent performance audit of the health center, including its component parts. The auditors must contract for a performance audit that includes:

1. a review of the quarterly reports provided the review committee (the review must also include financial statements that have a clear allocation of all health center income and expenses to each operating function of the health center for fiscal year 2000 of the health center and a comparison with planned and actual results for fiscal year 2001);
2. an examination of health center governance related to management responsibilities, avoidance of conflicts of interest, and fiscal management practices, and a recommendation on establishing a board of trustees for John Dempsey Hospital that would report to UConn's board;
3. program audits including a systematic assessment of the health center's core competencies and their relationship to (a) improving the quality of the medical and dental schools and (b) the health center's stated objectives and the implementation of the strategic long-term plan (see below);
4. economy and efficiency audits on the use of health center resources and recommendations for identifying more effective ways of allocating resources to achieve cost efficiencies in providing care;
5. an assessment of health center compliance with applicable laws; management oversight; and faculty, administrative and professional compensation policies, including a comparison with comparable entities; and recommendations for cost reductions, improved management, and service efficiencies;

6. methods of maximizing federal and third party funding;
7. information on the average daily census, by specialty, at the hospital and recommendations for increasing it;
8. an audit of the appropriate assignment and use by the health center of federal cost recovery and residency programs;
9. a review of its contractual obligations;
10. information and recommendations on economic development potential related to biomedical and biotechnology research; and
11. identification of significant issues needing further audit but not directly related to performance audit objectives.

The UConn Board of Trustees must give the auditor a management response from responsible officials on each of the recommendations made in the performance audit. Timely performance audit interim reports must be given to the review committee for its use in preparing its reports.

The bill specifies that the performance audit is in addition to any financial or operational audit required by law.

FUNDING

The bill transfers \$500,000 appropriated to the Office of Health Care Access for distressed hospital evaluation in a 1999 special act (SA 99-10) to the Auditors of Public Accounts for contracting for the performance audit of the health center. The bill specifies that these funds do not lapse on June 30, 2000 and can be expended during FY 2000-2001.

The bill appropriates \$16.9 million to the UConn Health Center from the General Fund for FY 1999-2000. These funds do not lapse on June 30, 2000 and are available during FY 2000-2001.

The bill appropriates \$3.1 million to the health center from the General Fund for fiscal year 1999-2000 for research purposes. These funds do

not lapse on June 30, 2000 and are available for FY 2000-2001.

The bill requires the health center's chief executive officer to report to the UConn Health Center Review Committee on the planned and actual use of the funds appropriated to the health center. The first report is due October 1, 2000 with quarterly reports to follow during the term of the review committee.

COMMITTEE ACTION

Public Health Committee

Joint Favorable Substitute

Yea 23 Nay 2